

CITY OF LA PORTE CITY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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City of La Porte City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Lubben	Mayor	Jan 2010
Kyle Jensson	Council Member	Jan 2010
Mike Spence	Council Member	Jan 2010
Todd Butler	Council Member	Jan 2012
Sarah Craft	Council Member	Jan 2012
Jane Whittlesey	Council Member	Jan 2012
Julie Petersen	Clerk	
Jeffrey Larison	Treasurer	
Corey Lorenzen	Attorney	

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of La Porte City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated December 29, 2009 on our consideration of the City of La Porte City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the

financial statements for the three years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.

December 29, 2009

CITY OF LA PORTE CITY

202 Main Street, La Porte City, Iowa 50651

Phone: (319) 342-3396

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. It is to be used in conjunction with the City's Annual Report and is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis

- introduces the basic financial statements and provides an analytical overview of the City's financial activities

Government-wide Financial Statement

- consists of a Statement of Activities and Net Assets
- provides information about the activities of the City as a whole and presents an overall view of the City's finances

Fund Financial Statements

- tells how governmental services were financed in the short term as well as what remains for future spending
- report the City's operations in more detail than the government-wide statement by providing information about the most significant funds

Notes to Financial Statements

- provide additional information essential to a full understanding of the data provided in the basic financial statements

Required Supplementary Information

- further explains and supports the financial statements with a comparison of the City's budget for the year

Other Supplementary Information

- provides detailed information about the non-major governmental funds

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting is a basis other than generally accepted accounting principals, and does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statements:

To aid in the understanding of the Statement of Activities, some additional explanation is needed. All receipts and disbursements are categorized as either governmental activities or business-type activities. **Governmental Activities** are financed primarily by property tax, local option sales tax, road use tax and state and federal grants. They are defined as follows:

Public Safety – includes police operations, fire protection, ambulance service, building inspections and animal control services

Public Works – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning

Health and Social Services – includes welfare assistance

Culture and Recreation – includes library services, parks, recreation, pool, community center and museum

Community and Economic Development – includes economic development, housing rehab, and tax increment financing

General Government – includes mayor, city council, city clerk, city treasurer, legal services, and city hall administrative and building needs

Debt Service – includes principal and interest payments for debt repayment

Capital Projects – major projects including street and infrastructure improvements, the family aquatic center, and a new housing development known as the Sweet Subdivision

Business Type Activities include the ambulance service and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements:

The City has two kinds of funds:

Governmental funds account for most of the City's basic services and include the General Fund, the Special Revenue Funds such as Road Use Tax and Tax Increment Financing, the Debt Service Fund, the Capital Projects Fund, the Equipment Replacement Fund, and the Trust Funds. The Governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

Proprietary funds are also known as Business-Type funds. When the City charges customers for the services it provides, these services are generally reported as Proprietary funds. These funds, which include Ambulance and Sewer services, are generally self-sufficient. The required financial statements for Proprietary Funds include a statement of cash receipts, disbursements and changes in cash balances.

Basic Financial Statements

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

- **Statement of Activities and Net Assets – Cash Basis (Exhibit A)**

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result is a Net (Expense) or Revenue, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax*, *Local Option Sales Tax* and *Unrestricted Interest*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net assets end of year as \$2,119,678, compared to net assets beginning of the year of \$1,960,160, or an increase of \$159,518.

- **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Governmental Funds (Exhibit B)**

The City maintains ten funds under the "Governmental" classification. The column titled *General* includes activity in the General and the Economic Development funds. The column titled *Other Nonmajor Governmental Funds* includes activity for the Road Use Tax Fund, the Trust I (Employee Benefits) Fund, the TIF Fund, the Low to Moderate Income Fund (required for the Pipho Development TIF Project), and the Trust II Fund (established to track memorials, bequests, and contributions). More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

- **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds (Exhibit C)**

This reconciles any differences in the Cash Ending Balances or Net Change in Cash from Exhibit A and Exhibit B.

- **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Fund (Exhibit D)**

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees). The two proprietary funds for the City are the Ambulance and the Sewer Funds.

- **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds (Exhibit E)**

This reconciles any differences in the Cash Ending Balances or Net Change in Cash from Exhibit A and Exhibit D.

Budgetary Highlights

Over the course of the fiscal year the City amended its budget only one time. The amendment was approved on May 26, 2009 and provided for additional disbursements in City departments. Costs related to recovery from the 2008 flood had the highest dollar impact on this amendment. However many of the flood-related projects were not completed in FY09 and those costs and revenues were carried over into FY10.

Expenses related to the City's revolving loan fund and to projects eligible for gaming grants also had an impact on this amendment. The City received grant funds from the USDA for the revolving loan activity and from the Black Hawk County Gaming Commission for a number of projects, and had sufficient cash balances to absorb the other additional costs.

2009 Financial Highlights

- Revenues (not including transfers in) decreased \$100,468, or 4.7%, from FY08 to FY09. This decrease is attributable in part to Housing Rehab grant proceeds totaling \$118,151 received in 2008, compared to only \$9,051 received in 2009. Use of Money and Property collections decreased \$22,364 in FY09, primarily due to declining interest rates that produced minimal earnings on investments.
- From FY08 to FY09 disbursements (not including transfers out) decreased overall by 24%, or \$612,789. The biggest change was seen in the Capital Projects Program, which decreased \$366,864 due to the completion of the Sweet Subdivision in FY08. Decreases also occurred in Economic Development (\$63,129), due to completion of the Housing Rehab program; and in Public Safety (\$142,246), due to one-time purchases that occurred in FY08 for new bunker gear and equipment for the Fire Department.
- The City's total cash basis net assets increased approximately 8%, or \$159,518 from June 30, 2008 to June 30, 2009. Of this amount the assets of governmental activities increased \$118,695, with \$63,818 of that increase coming from growth in the Equipment Replacement Fund and \$86,448 coming from growth in the Road Use Tax Fund, where regular Capital Improvement projects were put on hold in part due to flood recovery projects. The Capital Projects Fund decreased \$37,731, in part due to bond funds that were paid out of reserves for the Family Aquatic Center.

The assets of the business type activities increased \$40,823, primarily due to lower expenditures charged to Sewer Fund Capital Improvements. The City is currently in the planning process to upgrade the wastewater treatment plant and sewer reserves will be used to help finance this project

The year-end balance of Funds Not Required to be Budgeted increased \$13,259. This total represents interest, contributions, and payments from the Trust II Fund. No significant disbursements were made from this fund in FY09.

Debt Administration

As of June 30, 2009, the City had \$3,110,000 in debt outstanding compared to \$3,420,000 in 2008. No new bonds were issued during this fiscal year.

Outstanding Debt at Year End

June 30,

	2009	2008
General obligation capital loan notes (FY06) \$	720,000	785,000

General obligation capital loan notes (FY05)	\$1,745,000	1,860,000
General obligation capital loan notes (FY04)	\$ 355,000	420,000
General obligation capital loan notes (FY03)	\$ 290,000	355,000
Total	<u>\$3,110,000</u>	<u>3,420,000</u>

The General Obligation Note FY06 was issued for design and construction of a new 30-lot residential development known as the Sweet Subdivision. The General Obligation Note FY05 was issued for the demolition of the existing city pool and construction of the new Family Aquatic Center. The General Obligation Note FY04 was issued for the 2004 street rehabilitation, railroad crossing and Tama Road projects. The General Obligation Note FY03 was issued for the 2003 street rehabilitation project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,110,000 is below its constitutional debt limit of \$5.29 million.

Tif Rebates

In 2006 the State redesigned the TIF certification process. House File 2777 mandates that once TIF indebtedness is certified to the County Auditor, the County Auditor shall provide for TIF increment taxes in subsequent years without further certification, until the amount certified is paid to the municipality. This allows the City to either submit a one-time certification for the total amount to be collected in a TIF district over the life of an agreement, or to certify annually a specific amount to be collected from a TIF district. The City certified TIF debt for two projects in November 2008, to be collected in Fiscal Year 09-10:

Greg & Donna Piph (\$200,000) – for Sunset Knolls Ninth Addition, the City agreed to pay to the Piph's property taxes generated from the thirteen lots in this housing division. This is the sixth of ten years for this certification. The dollar amount certified represents the estimated total that will be paid to the Piph's through the ten-year term of their development agreement, plus the state-required set-aside amount for improvements in low to moderate income areas of the City.

Family Aquatic Center (\$98,600) – when approving the issuance of debt for the new aquatic center, the City Council approved using a combination of TIF funds and a debt service levy to make the annual payments on the bonds. This is the fourth of fifteen years for this certification.

Sweet Subdivision – since no incremental taxes are anticipated in FY10, and because there is a ten-year limit on TIF certifications for residential development, the City will not certify any taxes for this area until construction of new homes begins. We will closely monitor the construction activity to determine at what point in the future new property taxes will be available in this TIF district.

Witham Development Agreement – the City Council agreed to make the interest payments on an eight-year loan Witham received through Black Hawk Economic Development Corporation. The loan enabled Witham to rebuild and expand the business center following a substantial fire. No incremental taxes are anticipated in FY10, as the post-fire value will not be recorded until January 2009 for collection in FY11. Economic Development Fund reserves will be used to make the interest payments until such time as property taxes on the new value can be recovered.

Economic Factors and Next Year's Budgets

The City of La Porte City's elected and appointed officials and department heads considered many factors when setting the FY10 budget, tax rates and fees that will be charged for various City activities.

Department heads were encouraged to keep expenses in line with the 08-09 fiscal year. Although property tax valuations increased slightly (2.4%), the cost associated with providing City services including health insurance, liability insurance and workers compensation insurance also increased. Challenges related to the downturn in the economy, including lower interest earnings and possible cuts in state-provided funding, were also considered.

The City Council continued to support capital planning initiatives and approved reserving \$93,000 for future equipment and improvements.

There were no sales of lots in the Sweet Subdivision for FY09, and the City continued to use reserves to make the semi-annual bond payments. The City does anticipate lot sales will occur in FY10, and plans to utilize TIF dollars available in the City's Urban Renewal area to help make future bond payments.

City staff continued to work on projects related to the 2008 flooding. Thirteen properties (twelve single-family and one multi-family apartment complex) are expected to participate in the flood buyout program. The City received a Community Disaster Grant totaling \$16,864.29 to be used for other disaster-related costs, and purchased two trash pumps and hoses to help prevent street and storm sewer flooding. The City also contracted with JDE Engineering to pursue grant funds for flood mitigation projects, including installation of additional flood gates, construction of a storm water pump station on the west side of Wolf Creek, and construction of new outlet piping for the East Side Drainage Basin.

In FY08 the La Porte City Economic Development Commission received a grant from the United States Department of Agriculture to create a revolving loan fund to provide low-interest financing to new and existing businesses in La Porte City. One new business loan totaling \$5,000 was approved in FY09.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Petersen, City Clerk, 202 Main Street, La Porte City, Iowa.

Basic Financial Statements

City of La Porte City

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 449,169	2,686	67,677	-
Public works	459,988	160,640	201,673	-
Health and social services	4,232	-	-	-
Culture and recreation	338,779	56,928	80,818	-
Community and economic development	97,042	-	52,229	-
General government	115,938	25,435	126,320	-
Debt service	441,755	-	-	-
Capital projects	5,040	-	2	-
Total governmental activities	1,911,943	245,689	528,719	-
Business type activities:				
Sewer	256,217	211,008	46,197	-
Ambulance	56,715	83,384	-	-
Total business type activities	312,932	294,392	46,197	-
Total	\$ 2,224,875	540,081	574,916	-

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Equipment Replacement
 Debt Service
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements

Basic Financial Statements

City of La Porte City
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2009

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 449,169	2,686	67,677	-
Public works	459,988	160,640	201,673	-
Health and social services	4,232	-	-	-
Culture and recreation	338,779	56,928	80,818	-
Community and economic development	97,042	-	52,229	-
General government	115,938	25,435	126,320	-
Debt service	441,755	-	-	-
Capital projects	5,040	-	2	-
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Business type activities:				
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Ambulance	56,715	83,384	-	-
Total business type activities	312,932	294,392	46,197	-
Total	\$ 2,224,875	540,081	574,916	-
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Equipment Replacement				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(378,806)	-	(378,806)
(97,675)	-	(97,675)
(4,232)	-	(4,232)
(201,033)	-	(201,033)
(44,813)	-	(44,813)
35,817	-	35,817
(441,755)	-	(441,755)
(5,038)	-	(5,038)
(1,137,535)	-	(1,137,535)
-	988	988
-	26,669	26,669
-	27,657	27,657
(1,137,535)	27,657	(1,109,878)
610,134	-	610,134
74,301	-	74,301
219,964	-	219,964
279,751	-	279,751
47,522	7,299	54,821
28,561	1,864	30,425
(4,003)	4,003	-
1,256,230	13,166	1,269,396
118,695	40,823	159,518
1,639,792	320,368	1,960,160
\$ 1,758,487	361,191	2,119,678
528,071	-	528,071
30,084	-	30,084
169,923	-	169,923
1,030,409	361,191	1,391,600
\$ 1,758,487	361,191	2,119,678

City of La Porte City
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2009

	General	Special Revenue Equipment Replacement	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 462,116	-	219,964	215,501	897,581
Other city tax	285,103	-	1,071	395	286,569
Licenses and permits	21,486	-	-	-	21,486
Use of money and property	25,473	18,115	804	9,082	53,474
Intergovernmental	263,427	35,535	-	198,233	497,195
Charges for service	224,203	-	-	-	224,203
Miscellaneous	40,453	1,587	-	12,093	54,133
Total receipts	1,322,261	55,237	221,839	435,304	2,034,641
Disbursements:					
Operating:					
Public safety	414,315	-	-	34,854	449,169
Public works	335,922	-	-	124,066	459,988
Health and social services	4,232	-	-	-	4,232
Culture and recreation	324,296	-	-	14,483	338,779
Community and economic development	70,540	-	-	26,502	97,042
General government	108,742	-	-	7,196	115,938
Debt service	-	-	441,755	-	441,755
Capital projects	-	-	-	5,040	5,040
Total disbursements	1,258,047	-	441,755	212,141	1,911,943
Excess of receipts over disbursements	64,214	55,237	(219,916)	223,163	122,698
Other financing sources (uses):					
Operating transfers in	7,900	88,583	216,129	15,834	328,446
Operating transfers out	(92,857)	(80,003)	-	(159,589)	(332,449)
Total other financing sources (uses)	(84,957)	8,580	216,129	(143,755)	(4,003)
Net change in cash balances	(20,743)	63,817	(3,787)	79,408	118,695
Cash balances beginning of year	665,477	464,254	33,871	476,190	1,639,792
Cash balances end of year	\$ 644,734	528,071	30,084	555,598	1,758,487
Cash Basis Fund Balances					
Reserved:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	136,979	136,979
Unreserved:					
General fund	644,734	-	-	-	644,734
Special revenue funds	-	528,071	30,084	248,696	806,851
Permanent fund	-	-	-	169,923	169,923
Total cash basis fund balances	\$ 644,734	528,071	30,084	555,598	1,758,487

See notes to financial statements

City of La Porte City

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2009

Total governmental funds cash balances (page 16)	\$1,758,487
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities (page 14)	<u>\$1,758,487</u>
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Net change in cash balances (page 16)	\$ 118,695
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of governmental activities (page 14)	<u>\$ 118,695</u>
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See notes to financial statements

City of La Porte City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2009

	Sewer	Ambulance	Total
Operating receipts:			
Use of money and property	\$ 6,790	509	7,299
Intergovernmental	46,197	3,038	49,235
Charges for service	211,008	80,346	291,354
Miscellaneous	-	1,864	1,864
Total operating receipts	263,995	85,757	349,752
Operating disbursements:			
Business type activities	256,217	56,715	312,932
Total operating disbursements	256,217	56,715	312,932
Excess (deficiency) of operating receipts over (under) operating disbursements	7,778	29,042	36,820
Operating transfers in (out)	24,003	(20,000)	4,003
Net change in cash balances	31,781	9,042	40,823
Cash balances beginning of year	256,515	63,853	320,368
Cash balances end of year	\$ 288,296	72,895	361,191
Cash Basis Fund Balances			
Unreserved	288,296	72,895	361,191
Total cash basis fund balances	\$ 288,296	72,895	361,191

See notes to financial statements

City of La Porte City

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Fund

As of and for the year ended June 30, 2009

Total enterprise funds cash balances (page 18)	\$ 361,191
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The city does not have an internal service fund.
Therefore there are no reconciling items.

Cash basis net assets of business type activities (page 14)	<u>\$ 361,191</u>
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Net change in cash balances (page 18)	\$ 40,823
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The city does not have an internal service fund.
Therefore there are no reconciling items.

Change in cash balance of business type activities (page 14)	<u>\$ 40,823</u>
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See notes to financial statements

City of La Porte City

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of La Porte City is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services, as well as garbage services which are included in the general fund. The City also provides sewer utilities for its citizens, as well as ambulance services.

A. Reporting Entity

For financial reporting purposes, the City of La Porte City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present the City of La Porte City (the primary government) and excludes all component units. A component unit is an entity which is legally separate from the City, but is so intertwined with the City that they are, in substance, part of the City. However, the financial transactions of this component unit has not been displayed because they are not material or use a different basis of accounting.

The La Porte City Utilities, a component unit of the city, is established under Chapter 388 of the Code of Iowa. The La Porte City Utilities is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a three member board appointed by the Mayor and approved by the City Council. La Porte City Utilities is a public utility providing electrical service to the citizens of La Porte City. Complete financial statements can be obtained from the Utility's administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: City of Waterloo Building Department, Townships of the following: Big Creek, Spring Creek, Eagle Poyner, and Cedar in Black Hawk County, Bruce and Cedar in Benton County, Tri-County Drug Task Force, Northeast Iowa Response Group, Mutual Aid Fire – Buchanan County, Digital Data – Black Hawk County, Criminal Justice Info System, Black Hawk Consolidated Public Safety Communications Agreement, Mutual Aid Fire – Black Hawk County, Union Community School District – Tennis Courts, Use of Buses, and Use of Swimming Pool, Mutual Aid Fire – City of Waterloo, and Mutual Aid Fire – Covenant Health System.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue – Equipment Replacement Fund is utilized as a savings fund for large equipment purchases for each department.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Ambulance Fund accounts for the operations and user fees for Ambulatory services provided by the City.

C. Measurement Focus and Basis of Accounting

The City of La Porte City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2009 are as follows:

Type	Carrying Amount	Fair Value	Maturity
Certificates of Deposit	<u>\$ 1,131,022</u>	<u>\$ 1,131,022</u>	<u>Various Dates</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$625,442 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2010	325,000	119,245
2011	335,000	107,505
2012	350,000	95,153
2013	355,000	81,965
2014	290,000	69,778
2015 - 2021	1,455,000	216,452
Total	<u>\$ 3,110,000</u>	<u>690,098</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

During the year ended June 30, 2007 the Council approved an interfund loan from the Sewer Fund to the Economic Development Fund for \$90,000. As of June 30, 2009, the balance of the loan remaining to be paid is \$45,000.

During the year ended June 30, 2009 the Council approved an interfund loan from the Sewer Fund to the Special Revenue - Equipment Replacement Fund for \$41,000 and an interfund loan of \$39,002.75 from the General Fund to the Debt Service Fund. As of June 30, 2009, none of the balances of those two inter-fund loans had been paid.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008,

and 2007 were \$36,993, \$35,694, and \$33,469 respectively, equal to the required contributions for each year

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 1,319
Sick leave	<u>44,854</u>
Total	<u>\$ 46,173</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Permanent	\$6,795
	Special Revenue	
	Low to Moderate Income	1,105
Special Revenue		
Equipment Replacement	General	53,583
	Sewer	15,000
	Ambulance	20,000
Low to Moderate Income	Special Revenue	
	Tax Increment Financing	15,834
Debt Service	Special Revenue	
	Tax Increment Financing	95,581
	Equipment Replacement	41,000
	Road Use	5,513
	Capital Projects	34,761
	General	39,274
Sewer	Special Revenue	
	Equipment Replacement	39,003

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$7,297 during the year ended June 30, 2009.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Litigation

The City is not subject to any pending litigation.

(10) Subsequent Events

There were no subsequent events.

Required Supplementary Information

City of La Porte City

Budgetary Comparison Schedule
of Receipts, disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 756,381	-	-
Tax increment financing collections	141,200	-	-
Other city tax	286,569	-	-
Licenses and permits	21,486	-	-
Use of money and property	53,474	7,299	5,952
Intergovernmental	497,195	49,235	5,660
Charges for service	224,203	291,354	-
Miscellaneous	54,133	1,864	12,091
Total receipts	2,034,641	349,752	23,703
Disbursements:			
Public safety	449,169	-	1,630
Public works	459,988	-	-
Health and social services	4,232	-	-
Culture and recreation	338,779	-	-
Community and economic development	97,042	-	2,019
General government	115,938	-	-
Debt service	441,755	-	-
Capital projects	5,040	-	-
Business type activities	-	312,932	-
Total disbursements	1,911,943	312,932	3,649
Excess of receipts over disbursements	122,698	36,820	20,054
Other financing sources (uses), net	(4,003)	4,003	(6,795)
Excess of receipts and other financing sources over disbursements and other financing uses	118,695	40,823	13,259
Balances beginning of year	1,639,792	320,368	156,664
Balances end of year	\$ 1,758,487	361,191	169,923

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
756,381	757,191	757,191	(810)
141,200	142,350	142,350	(1,150)
286,569	265,491	265,491	21,078
21,486	20,275	20,275	1,211
54,821	85,900	85,900	(31,079)
540,770	300,223	896,754	(355,984)
515,557	603,571	603,571	(88,014)
43,906	36,412	61,467	(17,561)
2,360,690	2,211,413	2,832,999	(472,309)
447,539	487,041	508,671	61,132
459,988	453,733	565,783	105,795
4,232	5,744	5,744	1,512
338,779	303,869	399,408	60,629
95,023	38,674	111,212	16,189
115,938	114,777	507,177	391,239
441,755	441,756	441,756	1
5,040	-	5,040	-
312,932	287,985	392,985	80,053
2,221,226	2,133,579	2,937,776	716,550
139,464	77,834	(104,777)	244,241
(6,795)	76,500	76,500	(83,295)
132,669	154,334	(28,277)	160,946
1,803,496	1,841,725	1,960,160	(156,664)
1,936,165	1,996,059	1,931,883	4,282

City of La Porte City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$621,586 and budgeted disbursements by \$804,197. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of La Porte City

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue			
	Road Use Tax	TIF	Employee Benefits	Low to Moderate Income
Receipts:				
Property tax	\$ -	141,200	74,301	-
Other city tax	-	-	395	-
Use of money and property	-	562	-	500
Intergovernmental	192,573	-	-	-
Miscellaneous	-	-	-	-
Total receipts	192,573	141,762	74,696	500
Disbursements:				
Operating:				
Public safety	-	-	33,224	-
Public works	100,612	-	23,454	-
Culture and recreation	-	-	12,464	-
Community and economic development	-	26,502	-	-
General government	-	-	7,196	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	100,612	26,502	76,338	-
Excess (deficiency) of receipts over (under) disbursements	91,961	115,260	(1,642)	500
Other financing sources:				
Operating transfers in (out)	(5,513)	(111,415)	-	14,729
Net change in cash balances	86,448	3,845	(1,642)	15,229
Cash balances beginning of year	64,713	25,604	9,674	44,825
Cash balances end of year	\$ 151,161	29,449	8,032	60,054
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	151,161	29,449	8,032	60,054
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 151,161	29,449	8,032	60,054

See accompanying independent auditor's report

Schedule 1

Capital Projects	Permanent	
	Trust Funds	Total
-	-	215,501
-	-	395
2,068	5,952	9,082
-	5,660	198,233
2	12,091	12,093
2,070	23,703	435,304
-	1,630	34,854
-	-	124,066
-	2,019	14,483
-	-	26,502
-	-	7,196
-	-	-
5,040	-	5,040
5,040	3,649	212,141
(2,970)	20,054	223,163
(34,761)	(6,795)	(143,755)
(37,731)	13,259	79,408
174,710	156,664	476,190
136,979	169,923	555,598
-	-	248,696
136,979	-	136,979
-	169,923	169,923
136,979	169,923	555,598

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 355,000	-	65,000	290,000	12,155	-
420,000	-	65,000	355,000	16,272	-
1,860,000	-	115,000	1,745,000	71,580	-
785,000	-	65,000	720,000	30,148	-
<u>\$ 3,420,000</u>	<u>-</u>	<u>310,000</u>	<u>3,110,000</u>	<u>130,155</u>	<u>-</u>

City of La Porte City
Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Notes				
	Capital Loan Note		Capital Loan Note		
	Issued May 6, 2003		Issued July 1, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2010	3.25	\$ 70,000	3.60	65,000	
2011	3.40	70,000	3.80	70,000	
2012	3.60	75,000	4.00	70,000	
2013	3.80	75,000	4.10	75,000	
2014		-	4.25	75,000	
2015		-		-	
2016		-		-	
2017		-		-	
2018		-		-	
2019		-		-	
2020		-		-	
2021		-		-	
Total		<u>\$ 290,000</u>		<u>355,000</u>	

Year Ending June 30,	Loan Note		Capital Loan Note		Total
	Issued December 1, 2005		Issued October 18, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
2010	3.75	\$ 120,000	3.75	70,000	325,000
2011	3.75	125,000	3.75	70,000	335,000
2012	3.75	130,000	3.75	75,000	350,000
2013	3.75	130,000	3.75	75,000	355,000
2014	3.75	135,000	3.75	80,000	290,000
2015	3.75	140,000	3.80	80,000	220,000
2016	3.80	145,000	3.85	85,000	230,000
2017	3.85	150,000	3.90	90,000	240,000
2018	3.90	160,000	4.00	95,000	255,000
2019	3.95	165,000	4.00	-	165,000
2020	4.00	170,000		-	170,000
2021	4.10	175,000		-	175,000
		\$1,745,000		720,000	3,110,000

See accompanying independent auditor's report

City of La Porte City
Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

For the Last Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 897,581	856,316	887,614	667,418	608,911	526,401	510,753
Other city tax	286,569	281,565	247,187	258,843	239,723	227,623	213,365
Licenses and permits	21,486	18,507	17,658	19,267	21,017	19,224	22,808
Use of money and property	53,474	75,838	105,519	70,627	26,705	14,861	23,291
Intergovernmental	497,195	614,873	335,086	307,978	336,072	1,143	330,320
Charges for service	224,203	216,143	227,371	210,834	182,840	289,921	149,374
Miscellaneous	54,133	71,867	542,220	242,964	100,810	455,952	238,481
Total	2,034,641	2,135,109	2,362,655	1,777,931	1,516,078	1,535,125	1,488,392
Disbursements:							
Operating:							
Public safety	449,169	629,194	420,893	422,394	454,592	526,398	453,134
Public works	459,988	549,433	502,495	509,789	378,959	853,197	190,071
Health and social services	4,232	5,194	5,044	4,994	1,869	1,869	1,819
Culture and recreation	338,779	259,707	318,361	218,355	277,229	257,489	206,124
Community and economic development	97,042	155,150	236,803	251,901	15,855	4,599	51,492
General government	115,938	107,489	122,229	107,464	107,212	109,594	183,215
Debt service	441,755	441,900	439,923	199,105	98,244	19,258	199,631
Capital projects	5,040	376,665	867,407	2,215,782	485,788	237,640	104,646
Total	\$ 1,911,943	2,524,732	2,913,155	3,929,784	1,819,748	2,010,044	1,390,132

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 29, 2009. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of La Porte City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of La Porte City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of La Porte City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of La Porte City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of La Porte City's financial statements that is more than inconsequential will not be prevented or detected by City of La Porte City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of La Porte City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not

necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09, II-B-09, II-C-09, II-D-09 and II-E-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of La Porte City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of La Porte City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of La Porte City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of La Porte City and other parties to whom City of La Porte City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of La Porte City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

December 29, 2009

City of La Porte City
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-09 Preparation Financial Statements - The City of La Porte City, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Recommendation - The City should conform with generally accepted accounting principles.

Response - The City feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion - Response accepted.

- II-C-09 Vehicle Usage Policy - The City does not maintain a formal policy regarding the use of City owned vehicles by employees.

Recommendation - The City should adopt a formal policy regarding vehicle usage.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Response – The City will be adopting a policy by the fiscal year ended June 30, 2010.

Conclusion – Response accepted.

- II-D-09 Reconciliation of Utility Billings, Collections and Delinquencies –A delinquent accounts listing was not retained from La Porte City Utilities.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. The Council or a Council-designated independent person should monitor delinquencies.

Response – We will consider this.

Conclusion – Response accepted.

- II-E-09 Separately Maintained Records – The Police Department maintains a bank account separate from the City Clerk's accounting records. The transactions and resulting balances of this account was not recorded in the City Clerk's accounting records and was not reported to the City Council each month.

Recommendation – Chapter 384.20 of the Code of Iowa states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property." For better accountability, financial and budgetary control, the financial activity and balance of all City accounts should be included in the City's accounting records, including budget reports, and should be reported to the City Council on a monthly basis.

Response – The City will look into this and attempt to integrate the accounts into the City's accounting system.

Conclusion – Response accepted.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

- III-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted, however the City did exceed the amounts budgeted before they approved the amended budget in the Capital Projects and Community and Economic Development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City did not want the expense of a mid-year budget amendment, so the budget was amended once in May.

Conclusion – Response accepted.

- III-B-09 Questionable Disbursements – We noted no questionable disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jeff Larison, Treasurer	Vice President of Cedar Valley Bank	N/A
Jane Whittlesey, Council Member, Co-owner of La Porte City Printing & Design,	Purchase office supplies and website maintenance	\$ 2,340
Jane Whittlesey, Council Member, Co-owner of The Progress Review	City's official newspaper	3,458

In accordance with Chapter 362.5(3) of the Code of Iowa, the first transaction with the City Treasurer does not appear to represent a conflict of interest since the treasurer is an employee of Cedar Valley Bank.

In accordance with Chapter 362.5(11) of the Code of Iowa, the second transaction does not appear to represent a conflict of interest since the amount is for less than \$2,500.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

In accordance with Chapter 362.5(6) of the Code of Iowa, the third transaction does not appear to represent a conflict of interest since the City has designated The Progress Review as its official newspaper.

III-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-09 Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not. However, a transfer that was approved in the minutes was made incorrectly.

Recommendation – The City should make all approved transfers.

Response – The wrong amount to transfer was mistakenly pulled from the approved resolution.

Conclusion – Response accepted.

III-G-09 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-09 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.

City of La Porte City

Staff

This audit was performed by:

Gina E. Trimble, CPA